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John J. Finnigan, Jr.
Senior Counsel

VIA OVERNIGHT MAIL

March 7, 2006

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: The Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience and Necessity to Acquire Certain Generation Resources and Related Property; for Approval of Certain Purchase Power Agreements; for Approval of Certain Accounting Treatment; and for Approval of Deviation from Requirements of KRS 278.2207 and 278.2213(6), Case No. 2003-00252

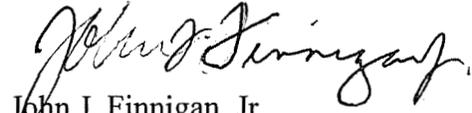
Dear Ms. O'Donnell:

The Union Light, Heat and Power Company ("ULH&P") encloses, for filing in the docket of this case, a copy of a no-action letter issued by the Federal Energy Regulatory Commission ("FERC") to ULH&P, The Cincinnati Gas & Electric Company ("CG&E") and PSI Energy, Inc. on January 31, 2005. This relates to ULH&P's request to this Commission for a deviation from Kentucky's affiliate transaction pricing requirements, relating to the Miami Fort No. 6 and East Bend Generating Stations. ULH&P filed this request for a deviation on December 15, 2005.

In its December 15, 2005 filing, ULH&P explained that it had requested that the FERC Staff make a recommendation that it would not take any enforcement action under the codes of conduct applicable to ULH&P and CG&E, relating to ULH&P's and CG&E's plans for operating Miami Fort No. 6, or relating to joint purchases of non-power goods and services relating to Miami Fort No. 6 and East Bend. Based on the facts presented, FERC Staff concluded that it would not recommend an enforcement action related to these matters. ULH&P submits that the FERC Staff's ruling supports ULH&P's December 15, 2005 request for deviation in this proceeding because the FERC Staff's ruling indicates, in FERC Staff's view, that ULH&P's retail customers will not be harmed by these transactions.

Thank you for your consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Finnigan, Jr.", written in a cursive style.

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: Hon. Anita L. Mitchell (with enclosure)
Hon Dennis G. Howard, II (with enclosure)
Hon. Elizabeth E. Blackford (with enclosure)

FEDERAL ENERGY REGULATORY COMMISSION
Office of Market Oversight and Investigations
Washington, D.C. 20426

January 31, 2005

No Action Letter
Docket No. NL06-1-000
Cinergy Services, Inc., The Cincinatti Gas & Electric Company
PSI Energy, Inc., and Union Light, Heat and Power Company

Mary Margaret Farren, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005

Dear Ms. Farren:

This letter is in response to your December 14, 2005 filing on behalf of Cinergy Services, Inc., The Cincinnati Gas & Electric Company (CG&E), PSI Energy, Inc. and the Union Light Heat and Power Company (ULH&P) collectively¹ pursuant to section 388.104(a) of the Commission's regulations² regarding the consistency of proposed operations and practices with Cinergy's Codes of Conduct arising from CG&E's transfer of all or part of its interest in three Kentucky generation plants to its affiliate ULH&P.³

Specifically, Cinergy asks Commission staff not to recommend an enforcement action with regard to: sharing of employees between CG&E and ULH&P at Miami Fort Generation Unit 6 after CG&E transfers that unit to ULH&P; purchasing certain non-power goods and services for both itself and ULH&P to service Miami Fort Generation Unit 6 and East Bend Generation Station following CG&E's transfer of its interest in those facilities to ULH&P;⁴ and not simultaneously making available to the public the price of the jointly purchased non-power goods and services.

The Codes of Conduct provisions applicable to CG&E and ULH&P that are relevant to Cinergy's request are the independent functioning requirement, the information sharing prohibitions and the requirements for the sales of non-power goods

¹ For convenience, this letter refers collectively to these entities as Cinergy.

² 18 C.F.R. § 388.104(a) (2005).

³ Cinergy revised its initial letter in response to staff requests for clarification. The attached letter is the final revised version of Cinergy's request.

⁴ Dayton Power & Light Company, a non-affiliate, retains a 31% interest in the East Bend Generation Station.

and services to affiliates.⁵

Based upon the facts and representations made in Cinergy's December 14, 2005 letter, as subsequently revised, staff will not recommend an enforcement action against Cinergy regarding: (1) the sharing of employees between CG&E and ULH&P at Miami Fort Generation Unit 6; (2) CG&E's joint purchases of certain non-power goods and services for both itself and ULH&P to service Miami Fort Generation Unit 6 and East Bend Generation Station, and (3) not simultaneously making available to the public the price of the jointly purchased non-power goods and services for CG&E and ULH&P to supply the Miami Fort Unit 6 and East Bend Generation Station.

Staff's position is based on the facts presented and the representations Cinergy has made, and any different facts, including any change in the job duties and responsibilities of the shared employees at Miami Fort Unit 6, might require a different response. Furthermore, this response only expresses the staff's position on enforcement action and does not express any legal conclusions on the questions presented. This response is not binding on the Commission and Cinergy may seek a declaratory order if it desires greater certainty on these issues.

Sincerely,



Cynthia Marlette
Principal Deputy General Counsel
Office of General Counsel



Susan J. Court
Director
Office of Market Oversight and
Investigations

⁵ The Cincinnati Gas and Electric Company FERC Electric Tariff, Original Volume No. 1, Original Sheet No. 11, Effective January 1, 2006. The Union, Light, Heat and Power Company, FERC Electric Tariff, Original Volume No. 1, Original Sheet No. 5, Effective January 1, 2006.